

LINCOLN ELECTRIC HOLDINGS INC  
Form DEF 14A  
March 26, 2001  
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**SCHEDULE 14A**

**(Rule 14A-101)**

**INFORMATION REQUIRED IN PROXY STATEMENT  
SCHEDULE 14A INFORMATION**

**Proxy Statement Pursuant to Section 14(a) of the Securities  
Exchange Act of 1934  
(Amendment No. )**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

**Confidential, for Use of the Commission Only  
(as permitted by Rule 14a-6(e)(2))**

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to Rule 14a-11(c) or Rule 14a-12.

**Lincoln Electric Holdings, Inc.**

(Name of Registrant as Specified in its Charter)

**XXXXXXXXXXXXXXXXXXXX**

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

- (1) Title of each class of securities to which transaction applies:
- (2) Aggregate number of securities to which transaction applies:
- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):
- (4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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Dear Shareholder:

You are cordially invited to attend the Annual Meeting of Shareholders of Lincoln Electric Holdings, Inc., which will be held at 2:00 p.m. on May 1, 2001 at the Wellington Center in Highland Heights, Ohio. A map showing the location of the Annual Meeting is printed on the outside back cover of the Proxy Statement.

Enclosed with this letter are the Annual Meeting Notice, Proxy Statement, proxy and voting instruction form and an envelope in which to return the proxy and voting instruction form. Also enclosed is a copy of the Annual Report. The Annual Report and Proxy Statement contain important information about the Company, its Board of Directors and its Executive Officers. Please read these documents carefully.

If you are a registered holder of Lincoln stock or a participant in the Company's employee savings plan, as a convenience to you and as a means of reducing costs, you may choose to vote your proxy electronically using the Internet or a touch-tone telephone instead of using the conventional method of completing and mailing the enclosed proxy and voting instruction form. Electronic proxy voting is permitted under Ohio law and the Company's Regulations. You will find instructions on how to vote electronically in the Proxy Statement and on the proxy and voting instruction form. Having the freedom to vote by means of the Internet, telephone or mail does not limit your right to vote in person at the Annual Meeting, if you prefer. If you do plan to attend the Annual Meeting, please check the attendance box on the enclosed proxy and voting instruction form, or when prompted if you cast your vote over the Internet or by telephone.

We look forward to seeing you at the Annual Meeting.

Sincerely,

**Anthony A. Massaro**  
*Chairman, President and Chief Executive Officer*  
*Lincoln Electric Holdings, Inc.*

March 26, 2001

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**NOTICE OF  
ANNUAL MEETING OF SHAREHOLDERS**

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The Annual Meeting of Shareholders of Lincoln Electric Holdings, Inc. will be held at 2:00 p.m. on Tuesday, May 1, 2001 at the Wellington Center, 777 Alpha Drive, Highland Heights, Ohio. Shareholders will be asked to vote on the following items:

- (1) Election of four Directors: Ranko Cucuz, G. Russell Lincoln, Kathryn Jo Lincoln and Anthony A. Massaro, each for a term of three years ending in the year 2004;
  - (2) Ratification of the Directors' appointment of Ernst & Young LLP as the Company's independent auditors for the year ending December 31, 2001; and
  - (3) Any other business properly brought before the meeting.
- Shareholders of record at the close of business on March 19, 2001 are entitled to vote.

**Frederick G. Stueber**  
*Senior Vice President,  
General Counsel and Secretary*

March 26, 2001

Your vote is very important. Be sure that your shares are represented. Whether or not you plan to attend the Annual Meeting, we recommend that you mark, date, sign and return promptly the enclosed proxy and voting instruction form in the envelope provided or, in the alternative, vote your shares electronically either over the Internet (<http://www.votefast.com>) or by touch-tone telephone (1-800-250-9081).

If your shares are not registered in your own name and you would like to attend the Annual Meeting, please bring evidence of your share ownership with you. You should be able to obtain evidence of your share ownership from the broker, trustee, bank or other nominee that holds the shares on your behalf.

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**GENERAL INFORMATION**

**Who is soliciting proxies and why?**

The enclosed proxy is being solicited by the Directors of the Company, and the Company will pay the cost of the solicitation. In addition, certain officers and other employees of the Company may, by telephone, telegram, letter or personal interview, request the return of proxies.

If your shares are held in your name, in order to vote your shares you must either attend the Annual Meeting and vote in person or appoint a proxy to vote on your behalf. Because the Directors of the Company realize that it would be highly unlikely that all shareholders would be able to attend the Annual Meeting, the Directors recommend that you appoint a proxy to vote on your behalf, as indicated on the accompanying proxy and voting instruction form, or appoint your proxy electronically via telephone or the Internet.

### **Who can vote?**

Record holders of the common stock of Lincoln Electric Holdings, Inc. ( Lincoln Common ) as of the close of business on March 19, 2001 are entitled to vote at the meeting. On that date, 42,363,151 shares of Lincoln Common were outstanding. Each share is entitled to one vote on each matter brought before the meeting.

### **What shares are included on the proxy card?**

If you are both a registered shareholder of the Company and a participant in the employee savings plan, you may have received one proxy and voting instruction form that shows all shares of Lincoln Common registered in your name, including any Dividend Reinvestment Plan shares, and all shares you have (based on the units credited to your account) under the employee savings plan. Accordingly, your proxy and voting instruction form also serves as your voting directions to the plan trustee.

Please note, however, that unless the identical name or names appeared on all your accounts, we were not able to consolidate your share information. If that was the case, you received more than one proxy and voting instruction form.

If your shares are held through a nominee, you will receive either a voting form or a proxy card from the nominee, instructing you on how to vote your shares, which may also include instructions on electronic voting.

### **What are the issues on which I will be voting?**

You are being asked to vote on two items:

- (1) Election of four Directors for terms ending in the year 2004; and
- (2) Ratification of the Directors' appointment of Ernst & Young LLP as the Company's independent auditors for the year ending December 31, 2001.

The Directors do not know of any other matters that are to be presented at the meeting. If any other matter requiring a vote properly comes before the meeting, the holders of the proxies will vote your shares on that matter, as well.

### **How do I vote?**

**Registered Holders.** If your shares are registered in your name, you may vote in person or by proxy. If you decide to vote by proxy, you may do so in any **ONE** of the following three ways.

**By telephone.** After reading the proxy materials and with your proxy and voting instruction form in front of you, you may call the toll-free number **1-800-250-9081** using a touch-tone telephone. You will be prompted to enter your Control Number from your proxy and voting instruction form. This

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number will identify you and the Company. Then you can follow the simple instructions that will be given to you to record your vote.

**Over the Internet.** After reading the proxy materials and with your proxy and voting instruction form in front of you, you may use your computer to access the website <http://www.vote4fast.com>. You will be prompted to enter your Control Number from your proxy and voting instruction form. This number will identify you and the Company. Then you can follow the simple instructions that will be given to you to record your vote.

**By mail.** After reading the proxy materials, please mark, sign and date your proxy and voting instruction form and return it in the enclosed prepaid and addressed envelope.

The Internet and telephone voting procedures have been set up for your convenience and have been designed to authenticate your identity, allow you to give voting instructions and confirm that those instructions have been recorded properly.

Whether you choose to vote over the Internet, by telephone or by mail, you can specify whether your shares should be voted for all, some or none of the nominees for Director (Item 1 on the proxy and voting instruction form). You can also specify whether you want to vote for or against, or abstain from voting for, Item 2, the ratification of the independent auditors. If you do not specify how you want to vote your shares on your proxy and voting instruction form or when voting over the Internet or by telephone, your shares will be voted **for** the election of all the Director nominees and **for** the ratification of the independent auditors.

**Participants in the employee savings plan.** If you participate in the employee savings plan, the plan's independent trustee, KeyBank National Association, will vote your plan shares according to your voting directions or, if you do not give directions, as recommended by the Board of Directors. You may give your voting directions to the plan trustee in any **ONE** of the three ways set forth above under Registered Holders. If you do not return your voting instruction form or vote over the Internet or by telephone, the trustee will not vote your shares. Plan shares representing forfeited account values that have not been reallocated at the time of the proxy solicitation will be voted by the trustee in proportion to the way other plan participants directed their shares to be voted. Each participant who gives the trustee voting directions acts as a named fiduciary for the plan under the provisions of the Employee Retirement Income Security Act of 1974, as amended.

**Broker shares.** If your shares are held by a bank, broker or other holder of record, that entity will give you separate voting instructions.

## **May I change my vote?**

Yes. You have the right to change or revoke your proxy and may do so in any one of the following four ways:

- (1) by sending a written notice to the Company's Secretary stating that you want to change your proxy vote;
- (2) by submitting a properly signed proxy and voting instruction form with a later date;
- (3) by entering later-dated telephone or Internet voting instructions; or
- (4) by voting in person at the Annual Meeting. **NOTE: You may not vote employee savings plan shares at the Annual Meeting.**

If you plan to attend the Annual Meeting, please check the attendance box on the enclosed proxy and voting instruction form or indicate so when prompted on the telephone or over the Internet.

If you are a beneficial shareholder only, that is if your shares are not registered in your name but are held by a bank, broker, trustee, or some other nominee, you will have to check with your bank, broker, trustee or other nominee to determine how to change your vote. Also note, that if you plan to

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attend the meeting, you will not be able to vote in person at the meeting any of your shares held by a nominee unless you have a valid proxy from the nominee.

### **How are the votes counted?**

Shareholder votes will be tabulated by an independent inspector of elections for the meeting. All properly signed proxy and voting instruction forms and all properly recorded Internet and telephone votes will be counted to determine whether or not a quorum is present at the meeting. Votes for the Director nominees that are marked *withhold* will not be counted in determining the election of Directors. Votes on Item 2 that are marked *abstain* have the same effect as votes **AGAINST** ratification of the auditors.

### **May I receive future shareholder communications over the Internet?**

If you are a registered shareholder, you may consent to accessing future shareholder communications (*e.g.*, proxy materials, annual reports and interim communications) over the Internet instead of receiving copies in the mail. You may give your consent by marking the appropriate box on your proxy and voting instruction form or following the prompts given you when you vote over the Internet or by telephone. If you choose electronic access to future shareholder communications, we will discontinue mailing the proxy statement and annual report to you beginning next year, but you will receive a proxy and voting instruction form, together with a formal notice of the meeting, in the mail with instructions containing the Internet address or addresses to access shareholder communications.

Providing shareholder communications over the Internet will reduce the Company's printing and postage costs and the number of paper documents that you would otherwise receive. If you give your consent, there is no cost to you for this service other than charges you may incur from your Internet provider, telephone and/or cable company. Once you give your consent, it will remain in effect until you inform us otherwise.

If your shares are held through a bank, broker or other holder of record, check the information provided by that entity for instructions on how to choose to access future shareholder communications over the Internet.

### **When are shareholder proposals due for the 2002 Annual Meeting?**

In order to be included in next year's Proxy Statement, a shareholder proposal must be submitted in writing to the Secretary of the Company at Lincoln Electric Holdings, Inc., 22801 Saint Clair Avenue, Cleveland, Ohio 44117-1199 by November 26, 2001. If any shareholder proposal is submitted after February 9, 2002, the Board of Directors will be allowed to use its discretionary voting authority when the proposal is raised at the 2002 Annual Meeting of Shareholders, without any discussion of the matter in the Proxy Statement.

### **May I submit a nomination for Director?**

If you are a shareholder entitled to vote at an annual meeting, you may nominate one or more persons for election as Director of the Company at that meeting. The Company's Regulations require that you do this by sending a written notice to the Secretary of the Company at Lincoln Electric Holdings, Inc., 22801 Saint Clair Avenue, Cleveland, Ohio 44117-1199. The notice must include certain information about you as a shareholder of the Company and about the person you intend to nominate, including a statement about the person's willingness to serve, if elected. This written notice must be received in the Secretary's Office at least 80 days before the annual meeting at which the nomination is to be made. For complete details on the nomination process, contact the Secretary of the Company.

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### **How do I contact the Company?**

For general information, shareholders may contact the Company at the following address:

Lincoln Electric Holdings, Inc.  
22801 Saint Clair Avenue  
Cleveland, Ohio 44117-1199  
Attention: Roy Morrow, Director, Corporate Relations

Throughout the year, you may visit our website at <http://www.lincolnelectric.com> for information about current developments at the Company.

## **ELECTION OF DIRECTORS**

### **Item No. 1**

The Company's Regulations provide for three classes of Directors whose terms expire in different years. The number of Directors to be elected at this Annual Meeting has been fixed at four. All of the nominees are to be elected to the Class of 2004, the expiration of their term. Ohio's General Corporation Law provides that, a quorum being present, the Director nominees receiving the greatest number of votes will be elected as Directors of the Company. Unless otherwise directed, shares represented by proxy will be voted in favor of electing the following:

*Class of 2004.* Ranko Cucuz, G. Russell Lincoln, Kathryn Jo Lincoln and Anthony A. Massaro, all of whom, except Mr. Cucuz, have been elected previously by the shareholders.

If any of the nominees is unable to stand for election, the Board may provide for a lesser number of nominees or designate a substitute. In the latter event, shares represented by proxies may be voted for the substitute. We have no reason to believe that any of the nominees will be unable to stand for election.

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## **DIRECTORS BIOGRAPHIES**

The following table sets forth biographical information about the Director nominees and the Directors whose terms of office will continue after this Annual Meeting. Except as otherwise indicated, each of the Director nominees and continuing Directors has held the occupation listed below for more than five years.

## NOMINEES FOR ELECTION

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### **Ranko Cucuz**

Age:

57

Director Class Year/Service:

2001; standing for reelection at this Annual Meeting; Director since March 2001

Recent Business Experience:

Mr. Cucuz is Chairman, President and Chief Executive Officer of Hayes Lemmerz International, Inc., formerly known as Hayes Wheels International, Inc. Mr. Cucuz was President and Chief Executive Officer of Hayes Wheels from 1992 to 1997, when Hayes Wheels acquired Lemmerz Holding, creating the present company.

Other Directorships:

Cleveland-Cliffs Inc. and Hayes Lemmerz International, Inc.

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### **G. Russell Lincoln**

Age:

54

Director Class Year/Service:

2001; standing for reelection at this Annual Meeting; Director since 1989

Recent Business Experience:

Mr. Lincoln is President of N.A.S.T. Inc., a position he has held since 1996. From 1984 to 1996, he served as Chairman of the Board and Chief Executive Officer of Algan, Inc.

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### **Kathryn Jo Lincoln**

Age:

46

Director Class Year/Service:

2001; standing for reelection at this Annual Meeting; Director since 1995

Recent Business Experience:

Ms. Lincoln is Chairman of The Lincoln Institute of Land Policy and President of The Lincoln Foundation, Inc.

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### **Anthony A. Massaro**

Age:

57

Director Class Year/Service:

2001; standing for reelection at this Annual Meeting; Director since 1996

Recent Business Experience:

Mr. Massaro is Chairman, President and Chief Executive Officer of the Company. He was elected President and Chief Executive Officer in 1996 and Chairman in 1997. From April 1 through October 31, 1996, Mr. Massaro served as President and Chief Operating Officer of the Company. From September 1995 through March 31, 1996, he served as Executive Vice President of the Company, directing international operations. Prior to that time, he was President and Chief Executive Officer of Lincoln Electric Europe. Other Directorships:

Cleveland-Cliffs Inc., Commercial Metals Company and Thomas Industries, Inc.

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## **CONTINUING DIRECTORS**

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### **Harry Carlson**

Age:

66

Director Class Year/Service:

2002; Director since 1973

Recent Business Experience:

Mr. Carlson is former Vice Chairman of the Company, a position he held from 1987 until his retirement in 1995.

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### **David H. Gunning**

Age:

58

Director Class Year/Service:

2002; Director since 1987

Recent Business Experience:

Mr. Gunning serves as the Principal of Encinitos Ventures, a position he has held since 1997. He served as Chairman, President and Chief Executive Officer of Capitol American Financial Corporation from 1993

until its sale in early 1997.

Other Directorships:

Southwest Gas Corporation

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**Edward E. Hood, Jr.**

Age:

70

Director Class Year/Service:

2002; Director since 1993

Recent Business Experience:

Mr. Hood is former Vice Chairman of the Board and Executive Officer of The General Electric Company, a position he held from 1979 until his retirement in 1993.

Other Directorships:

Lockheed Martin Corporation and Gerber Scientific, Inc.

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**Paul E. Lego**

Age:

70

Director Class Year/Service:

2002; Director since 1993

Recent Business Experience:

Mr. Lego is President of Intelligent Enterprises, Inc., a position he has held since 1993. He is the Non-Executive Chairman of Commonwealth Industries, Inc. and has also been a Principal of Orlimar Golf Company since 1998. He was formerly Chairman and Chief Executive Officer of Westinghouse Electric Corporation until his retirement in 1993.

Other Directorships:

Commonwealth Industries, Inc., Dominion Resources, Inc., Orlimar Golf Company and USX Corporation

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**CONTINUING DIRECTORS**

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**David C. Lincoln**

Age:

75

Director Class Year/Service:

2003; Director since 1958

Recent Business Experience:

Mr. Lincoln is Chairman of Lincoln Laser Co. and President of Vika Corporation. He is also Vice President of Cross Spear Marble Inc. and Manager of JDL & Company LLC.

Other Directorships:

Cross Spear Marble Inc., Lincoln Laser Co., Natural Stone Manufacturing Company and Vika Corporation

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**Henry L. Meyer III**

Age:

51

Director Class Year/Service:

2003; Director since 1994

Recent Business Experience:

Mr. Meyer is President and Chief Executive Officer of KeyCorp. He was Chief Operating Officer of KeyCorp from 1995 to January 31, 2001. Mr. Meyer is also Chairman, President and Chief Executive Officer of KeyBank National Association, a subsidiary of KeyCorp.

Other Directorships:

KeyCorp

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**Frank L. Steingass**

Age:

61

Director Class Year/Service:

2003; Director since 1971

Recent Business Experience:

Mr. Steingass was formerly President of Buehler/ Steingass, Inc., a position he held from 1970 to October 15, 2000.

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**John M. Stropki, Jr.**

Age:

50

Director Class Year/Service:

2003; Director since 1998

Recent Business Experience:

Mr. Stropki is Executive Vice President of the Company and President, North America, positions to which he was elected in May

1996. From December 1994 to May 1996,  
Mr. Stropki served as Senior Vice President,  
Sales.

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**DIRECTOR COMMITTEES AND MEETINGS**

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**Audit Committee**

Members:

David H. Gunning (Chair), Harry  
Carlson, Ranko Cucuz, David C.  
Lincoln and Kathryn Jo Lincoln

Number of 2000 Meetings:

Four

Principal Responsibilities:

See Committee Charter attached  
as Appendix A.

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**Compensation and Executive  
Development Committee**

Members:

Edward E. Hood, Jr. (Chair),  
Ranko Cucuz, Paul E. Lego,  
David C. Lincoln and G. Russell  
Lincoln

Number of 2000 Meetings:

Four

Principal Responsibilities:

reviews and establishes total  
compensation of the Chief  
Executive Officer and the other  
Executive Officers

annually assesses the  
performance of the Chief  
Executive Officer

monitors the Company's key  
management resources, structure,  
succession planning, development

and selection processes and the performance of key executives

reviews and recommends to the Board the appointment and removal of elected officers of the Company

administers the Company's employee stock and incentive plans and reviews and makes recommendations to the Board concerning all employee benefit plans

reviews and recommends to the Board new or amended executive compensation plans

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### **Nominating and Corporate Governance Committee**

Members:

Henry L. Meyer III (Chair),  
David H. Gunning, David C.  
Lincoln, Kathryn Jo Lincoln and  
Frank L. Steingass

Number of 2000 Meetings:

Three

Principal Responsibilities:

establishes criteria and procedures for qualification and selection of candidates for Board membership, including nominations from shareholders

establishes criteria and procedures for determining whether incumbent Directors should be recommended for reelection

evaluates, and recommends to the Board, candidates to be included in the annual proxy materials

identifies and recommends candidates to fill Board vacancies

assists in attracting qualified members to the Board

reviews Director compensation, benefits and expense reimbursement plans and programs and makes recommendations to the Board

establishes policies with respect to the composition, organization and practices of the Board

periodically reviews the quality, sufficiency and timeliness of information furnished to the Board

reviews external developments in corporate governance matters and makes recommendations to the Board

reviews and reports to the Board on the effectiveness of the Company's policies with respect to ethical compliance, political contributions, relationships with government entities and community service

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### **Finance Committee**

#### Members:

Paul E. Lego (Chair), Harry Carlson, Edward E. Hood, Jr., G. Russell Lincoln, Henry L. Meyer III and Frank L. Steingass  
Number of 2000 Meetings:

Five

#### Principal Responsibilities:

considers and makes recommendations, as necessary, on matters related to the financial affairs and policies of the Company, including capital structure issues

dividend policy

investment and debt policies

asset and portfolio management

financial transactions

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Your Board had six regular meetings in 2000 and six special meetings necessitated by demands of the proposed acquisition of Charter plc. Each of the current Directors attended at least 75 percent of the total number of meetings of

Directors and meetings of committees on which he or she served.

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**FAMILY RELATIONSHIPS**

Our business was founded by John C. Lincoln and managed for many years by his brother, James F. Lincoln. David C. Lincoln is the son of John C. Lincoln and the father of Kathryn Jo Lincoln. G. Russell Lincoln and Frank L. Steingass are the grandsons of James F. Lincoln and first cousins. Harry Carlson is married to a granddaughter of James F. Lincoln and is therefore related to Frank L. Steingass and G. Russell Lincoln as a first cousin by marriage.

**TRANSACTIONS WITH DIRECTORS**

Buehler/ Steingass, Inc., of which Frank L. Steingass, one of our Directors, served as President and a principal shareholder until October 15, 2000, received approximately \$171,799 for printing catalogs and other materials for the Company through that date.

Henry L. Meyer III, also one of our Directors, is Chief Executive Officer of KeyCorp and Chairman, President and Chief Executive Officer of KeyBank National Association, a subsidiary of KeyCorp. KeyBank serves as the agent for the Company's \$200 million credit agreement, a principal credit facility of the Company in which nine institutions participate. KeyBank has made the largest commitment thereunder, in the amount of \$77.5 million.

All of the transactions reported above were carried out in the ordinary course of business, upon terms no less favorable to the Company than would apply to similar transactions with unrelated companies.

**DIRECTOR COMPENSATION**

**General.** An employee of the Company who also serves as a Director does not receive any additional compensation for serving as a Director or as a member or chair of a committee.

**2000 Director Compensation Package.** During 2000, the Directors' compensation package for non-employee Directors was based on the following principles:

a significant portion of Director compensation should be aligned with creating and sustaining shareholder value;

Directors should hold a significant number of shares of Lincoln Common; and

total compensation should be structured to attract and retain a diverse and truly superior Board of Directors.

With those principles in mind, the compensation package was modified in 2000 and is comprised of the following components:

a two-part base annual retainer consisting of \$24,000 in cash plus an award of stock options granted pursuant to the Non-Employee Directors' Stock Option Plan approved by shareholders in May 2000;

an annual retainer of \$2,000 for each Committee chair;

an annual retainer of \$2,000 for each Committee member;

Board meeting fees of \$1,000 for each meeting attended; and

Committee meeting fees of \$1,000 for each meeting attended.

For the year 2000, the cash portion of the base annual retainer paid was \$14,000 rather than \$24,000 because in January 2000, the non-employee Directors received grants of restricted shares valued at \$10,000 under the former Non-Employee Directors Restricted Stock Plan. That Plan was terminated following the May 2000 Annual Meeting.

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**Non-Employee Directors Stock Option Plan.** Approved by shareholders in May 2000, the Plan provides for:

an annual grant of an option to purchase 2,000 shares of Lincoln Common to each eligible Director in office on the date of the grant; and

an initial grant of an option to purchase 6,000 shares of Lincoln Common to Directors who become eligible by virtue of their election after December 31, 1999.

The option price may not be less than the per share fair market value of Lincoln Common on the date of grant. An option becomes exercisable after the optionee has continuously served as a Director for one year from the date of grant. Once the optionee has completed one year of service as a Director, the option may be exercised in whole or in part with respect to 100% of the underlying shares of Lincoln Common. Options granted under the Plan have a 10-year term.

In accordance with the terms of the Plan, on November 30, 2000, each of the current Directors received an option to purchase 2,000 shares of Lincoln Common at an exercise price of \$17.625 per share. Also in accordance with the terms of the Plan, following his election as a Director of the Company on March 7, 2001, Mr. Cucuz received an option to purchase 6,000 shares of Lincoln Common at an exercise price of \$21.4375 per share.

**Non-Employee Directors Deferred Compensation Plan.** Adopted in 1995, this Plan allows the non-employee Directors to defer payment of all or a portion of their annual cash compensation. This Plan allows each participating non-employee Director to:

elect to defer a specified dollar amount or a percentage of his or her cash compensation;

have the deferred amount credited to the Director's account and deemed invested in either an obligation of the Company adjusted in accordance with the return on the Standard & Poor's 500 Composite Stock Index and/or an obligation of the Company earning interest at a rate equal to the Moody's Corporate Average Bond Index; and

elect to begin payment of the deferred amounts as of the earlier of termination of services as a Director, death or a date not less than two years after the fees are initially deferred.

As of December 31, 2000, two Directors had elected to defer their cash compensation pursuant to this Plan.

**Directors Charitable Award Program.** Upon the death of a participating non-employee Director, the Company will donate an aggregate of \$500,000 (in 10 annual installments) to one or more charitable organizations

recommended by the participating Director and approved by the Company. This Program is funded through insurance policies on the lives of the participating Directors.

Five years of service as a Director are required for eligibility under the Program.

In 2000, the Company paid \$250,656 in premiums on current insurance policies.

All charitable deductions and the cash surrender value of the policies accrue solely to the Company; the Directors derive no financial benefit.

All non-employee Directors, other than Ranko Cucuz, David C. Lincoln, Henry L. Meyer III and Frank L. Steingass, currently participate in the Program.

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### **MANAGEMENT OWNERSHIP OF SHARES**

The following table sets forth certain information regarding ownership of the Company's equity securities as of February 28, 2001 by the Director nominees, continuing Directors, each of the Company's Executive Officers named in the Summary Compensation Table on page 19 and all Directors and Executive Officers as a group. Except as otherwise indicated, voting and investment power with respect to shares reported in this table are not shared with others.

### **BENEFICIAL OWNERSHIP TABLE**

Non-Employee Directors and Director Nominees	Number of Common Shares Beneficially Owned (1) (2)	Percent
Harry Carlson	384,933(3)	*
Ranko Cucuz	0	*
David H. Gunning	8,771	*
Edward E. Hood, Jr.	7,559	*
Paul E. Lego	9,559	*
David C. Lincoln	6,334,925(4)	14.96%
G. Russell Lincoln	273,853(5)	*
Kathryn Jo Lincoln	2,258,184(6)	5.33%
Henry L. Meyer III	9,559(7)	*
Frank L. Steingass	418,675(8)	*

#### **Named Executive Officers**

Anthony A. Massaro  
251,306(9) \*

John M. Stropki, Jr.  
127,120(10) \*

H. Jay Elliott  
97,885(11) \*

Frederick G. Stueber

52,841(12) \*  
 James E. Schilling  
 11,928(13) \*

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**All Directors and Executive**

**Officers as a group (16 persons)** 8,069,977(14) 19.05%

\* Indicates less than 1%

- (1) Reported in compliance with the beneficial ownership rules of the Securities and Exchange Commission, under which a person is deemed to be the beneficial owner of a security, for these purposes, if he or she has or shares voting power or investment power over the security or has the right to acquire the security within 60 days of February 28, 2001.
- (2) Includes Common Shares subject to forfeiture and restrictions on transfer issued pursuant to the Company's Non-Employee Directors' Restricted Stock Plan.
- (3) Of the 384,933 shares reported, Mr. Carlson held of record 142,664 shares. Of the remaining 242,269 shares, 136,869 shares were held of record by his spouse, 90,400 shares were held of record by a trust under which his spouse shares investment and voting power, and 15,000 shares were held of record by Carlson Holdings LLC, a company controlled by Mr. Carlson and his spouse, as to which he shares investment and voting power with his spouse. Mr. Carlson disclaims beneficial ownership of the shares held of record by his spouse, under the above-referenced trust and by Carlson Holdings LLC.
- (4) Of the 6,334,925 shares reported, David C. Lincoln and his wife held of record an aggregate of 1,608,083 shares. The remaining 4,726,842 shares were held of record as follows: 2,216,244 shares by The Lincoln Foundation, Inc., of which Mr. Lincoln is a director; 602,804 shares by a trust for which Mr. Lincoln serves as a co-trustee and in which he both has a lifetime interest and

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shares voting power; 602,804 shares by a trust for which Mr. Lincoln both serves as a co-trustee and shares voting power, and in which his sister has a lifetime interest; 1,133,300 shares by LFM, Inc., a corporation of which Mr. Lincoln is a director; 80,000 shares by a trust of which Mr. Lincoln is a trustee, for the benefit of his nephew; 34,776 shares by two trusts for which Mr. Lincoln is a co-trustee, for the benefit of his nieces; 9,194 shares by a trust of which Mr. Lincoln is a trustee, for the benefit of his mother's grandchildren; 16,700 shares by The Lincoln Health Foundation, a non-profit corporation of which Mr. Lincoln is a director; and 31,020 shares by Vika Corporation, a corporation of which Mr. Lincoln is a director. Mr. Lincoln shares investment and voting power with respect to the shares owned by The Lincoln Foundation, Inc. with his daughter, Kathryn Jo Lincoln. Mr. Lincoln also shares with other trustees investment and voting power with respect to the shares owned by The Lincoln Health Foundation. With the exception of the shares held of record by Mr. Lincoln and his wife, Mr. Lincoln disclaims beneficial ownership of the other foregoing shares except to the extent of his pecuniary interest therein, if any.

- (5) Of the 273,853 shares reported, G. Russell Lincoln held of record 186,792 shares. An additional 514 shares were held of record by his spouse. The remaining 86,547 shares were held of record as follows: 26,165 shares by three trusts, as to each of which Mr. Lincoln is a trustee, for the benefit of his children; 32,882 shares by the Laura R. Heath Family Trust for which Mr. Lincoln serves as trustee; and 27,500 shares by The G. Russell and Constance P. Lincoln Family Foundation for which Mr. Lincoln serves as a trustee. Mr. Lincoln disclaims beneficial ownership of the shares held by his spouse, the trusts and the Foundation.

- (6) Of the 2,258,184 shares reported, 41,940 shares are held of record by trusts established by Ms. Lincoln and her spouse, under which each may be deemed to share investment and voting power. The remaining 2,216,244 shares were held of record by The Lincoln Foundation, Inc., of which Ms. Lincoln is the President, as to which shares Ms. Lincoln disclaims beneficial ownership. Ms. Lincoln shares investment and voting power with respect to the shares owned by The Lincoln Foundation, Inc. with her father, David C. Lincoln.
- (7) The shares reported are held of record by a trust established by Mr. Meyer and his spouse, under which Mr. Meyer may be deemed to share investment and voting power.
- (8) Of the 418,675 shares reported, Mr. Steingass held of record 381,179 shares. The remaining 37,496 shares were held of record as follows: 3,200 shares by Buehler/ Steingass, Inc., a corporation which Mr. Steingass served as President, as to which shares he disclaims beneficial ownership; and 34,296 shares by Mr. Steingass spouse, as to which shares Mr. Steingass also disclaims beneficial ownership.
- (9) Of the 251,306 shares reported, Mr. Massaro held of record 17,774 shares and has or had the right to acquire 233,332 shares upon the exercise of stock options within 60 days of February 28, 2001. The remaining 200 shares were held of record by Mr. Massaro's spouse, as to which shares he disclaims beneficial ownership.
- (10) Of the 127,120 shares reported, 28,792 shares were held of record by a trust established by Mr. Stropki and his spouse, under which they share investment and voting power. Mr. Stropki has or had the right to acquire 96,328 shares upon the exercise of stock options within 60 days of February 28, 2001. The remaining 2,000 shares were held of record by Mr. Stropki's spouse, as to which shares he disclaims beneficial ownership.
- (11) Of the 97,885 shares reported, Mr. Elliott held of record 16,477 shares and has or had the right to acquire 71,333 shares upon the exercise of stock options within 60 days of February 28, 2001. The remaining 10,075 shares were held of record by Mr. Elliott's spouse, as to which shares he disclaims beneficial ownership.
- (12) Of the 52,841 shares reported, Mr. Stueber held of record 8,175 shares and has or had the right to acquire 44,666 shares upon the exercise of stock options within 60 days of February 28, 2001.
- (13) Of the 11,928 shares reported, Mr. Schilling held of record 4,929 shares and has or had the right to acquire 6,999 shares upon the exercise of stock options within 60 days of February 28, 2001.

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- (14) Includes 489,324 shares which all Executive Officers and Directors, as a group, have or had the right to acquire upon the exercise of stock options within 60 days of February 28, 2001. Shares held of record by The Lincoln Foundation, Inc., over which both David Lincoln and Kathryn Lincoln share investment and voting power, were only counted once in this total.

In addition to the above management holdings, as of February 28, 2001, The Lincoln Electric Company 401(k) Savings Plan held 1,347,214 shares of Lincoln Common, or 3.18% of class.

### **SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's Directors and Executive Officers to file reports of beneficial ownership and changes in beneficial ownership with respect to the securities of the Company with the Securities and Exchange Commission and to furnish copies of these reports to the Company. Based on a review of these reports, the Company believes that for the year 2000 all filing requirements were met on a timely

basis.

## OTHER OWNERSHIP OF SHARES

Set forth below is information with respect to any person (including any group as that term is used in Section 13(d)(3) of the Securities Exchange Act of 1934) known to the Company to be an owner of more than 5% of the shares of Lincoln Common, other than the persons indicated in the Beneficial Ownership Table on page 13. The following information was filed with the Securities and Exchange Commission on February 15, 2001, with respect to share ownership as of December 31, 2000.

Name and Address of Beneficial Owner	No. of Shares and Nature of Beneficial Ownership	Percent of Class
KeyCorp 127 Public Square Cleveland, Ohio 44114-1306	2,814,072(1)	6.65%

(1) KeyCorp and its wholly-owned subsidiary KeyBank National Association (together KeyCorp ) have indicated that, as of December 31, 2000, KeyCorp was the record owner of 2,814,072 shares of Lincoln Common, as to which it disclaims beneficial ownership. Of the total amount reported owned by it, KeyCorp has sole voting power over 377,786 shares, shared voting power over 187,120 shares, sole dispositive power over 96,279 shares and shared dispositive power over 2,717,793 shares of Lincoln Common. In its Schedule 13G filing with the Securities and Exchange Commission, KeyCorp states that the shares of Lincoln Common reported in the filing were acquired in the ordinary course of business and not for the purpose nor with the effect of changing or influencing control of the Company.

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## COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION

The Compensation and Executive Development Committee of the Board of Directors consists solely of non-employee Directors. Its primary charge is to determine and report to the Board on the compensation (or method of calculating it) for the Chairman, President and Chief Executive Officer and each other Executive Officer who is among the five highest paid executives. In addition, the Committee establishes procedures and conducts succession planning for the Chief Executive Officer and other executive management positions, and reviews and makes recommendations to the Board concerning the Company's employee benefit programs, other than health and welfare programs. The Chief Executive Officer recommends the compensation of the other Executive Officers, subject to Committee review and approval.

### **Executive Compensation Policy**

Our executive compensation policy is based on our long-standing commitment to incentive-based compensation for all employees, including officers. The cash bonus program exemplifies this commitment. For many years, The Lincoln Electric Company, the Company's principal domestic subsidiary, has administered a discretionary employee bonus program featuring a cash distribution determined on the basis of a formula that takes into account Company performance, as well as individual earnings and performance. Virtually all domestic full-time employees participate in

the program. Generally, the Company's foreign subsidiaries have also adopted formula-based cash bonus programs. The cost of the Company's cash bonus programs, net of hospitalization costs but inclusive of payroll taxes, was \$54.5 million in 2000, \$60.1 million in 1999 and \$76.5 million in 1998.

The Committee's approach to executive compensation is generally the same as the Company's approach to employee compensation. The base salaries of executives are set at approximately the 40th percentile of the Company's peer group; *i.e.*, base salaries are somewhat below market average. The Committee believes, however, that cash bonus opportunities should be above average, with the 75th percentile of our peer group used as the target for total cash compensation. In making these determinations, the Committee uses a peer group consisting of 200-300 manufacturers based in the United States having revenues comparable to those of the Company. The Committee also believes that individual circumstances and performance should be a factor in incentive awards, both positively and negatively, notwithstanding the Company's performance against financial targets. The financial targets for 2000 were based on earnings before interest, taxes and the cash bonus referred to above. Individual financial targets will vary, with a portion attributable to consolidated financial results and a portion attributable to regional/ divisional results, depending upon the individual's responsibilities. Financial targets were set on the same basis for 2001. An individual executive's bonus in 2000 was based on the results of his/her financial targets and personal performance. Cash bonuses paid to the top three executives for 2000 were below amounts paid in prior years. In total, bonuses for all executives in this program were 4% below the amounts paid to participants in 1999.

The Committee's compensation philosophy, after taking into account lower than average base salaries and above average cash bonus opportunities, includes a third principle, which is that long-term incentive opportunities should be established that rank executives at the median of their peer